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Although the government retraining and relocation programs for the unemployed are now an integral part of the economic way of life, there must be research evaluation of each to establish the relationship between manpower policies. A few detailed evaluations have been made of Federal programs--a 1962 interview survey of 132 employers in West Virginia who had hired trainees under the Area Redevelopment Act, a 1964 nationwide questionnaire survey of members of the American Society of Training Directors, and questionnaire mailed to 1,000 employers in Wisconsin to determine their attitudes toward the apprenticeship form of on the job training. The evaluations indicate that the programs improve the economic status of trainees. However, much more extensive and sophisticated benefit-cost analyses will be required to determine whether the programs are a significant factor in reducing national unemployment and poverty and whether they are easing skill shortages or reducing inflationary pressures. Presumably economic benefits and costs of relocation allowances aid the individual, but the extent of their usefulness as a social investment remains to be established. Independent studies must be cumulative in their design and results. The document includes three tables, 16 references, and discussions by Melvin Rothbaum and Curtis Aller. (aj)

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Toward a Manpower Policy

Edited by ROBERT AARON GORDON

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CHAPTER 8

Our Experience with Retraining and Relocation

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BY GERALD G. SOMERS

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While some may deplore the continued lack of a comprehensive, coordinated manpower policy in the United States, others rejoice in the multitude of piecemeal programs that have been initiated in the past few years. The retraining and relocation programs provide grist for the mills of those who deplore and of those who rejoice. They represent significant recent departures in American manpower legislation; but our initial experience indicates the crucial need for their coordination with each other and with other educational and labor-market policies.

It is the principal premise of this paper that the establishment of the appropriate relationship between these manpower policies requires a detailed research evaluation of each; and this discussion is focused primarily on the present status and future prospects of such evaluations.

Evaluation of Retraining Programs

The experience with federal retraining should be evaluated in the context of the goals of the legislative programs which call for retraining. These include the Area Redevelopment Act of 1961 (now replaced by the Economic Development Act), the Manpower Development and Training Act (MDTA) of 1962 (as amended in 1963 and 1965), the Trade Expansion Act of 1962, the Vocational Education Act of 1963, and the anti-poverty programs of the Economic Opportunity Act. At the risk of doing some violence to the language of these enactments, the goals they set for retraining can briefly be summarized as follows:

1. For the trainee
   - (a) Reduction of unemployment and underemployment
   - (b) Increased income through higher skill and productivity
2. For society
   - (a) Reduction of national unemployment and welfare payments
   - (b) Reduction of poverty and related social ills
   - (c) Increased skills and productivity to fill shortages, expand output, and combat inflationary pressures

The individual trainee. The agencies entrusted with responsibility for operating the training programs have placed evaluation where it undoubtedly belongs on their priority list: in second place to the carrying out of the actual operations. Although this lower level of priority can be justified, it has meant that the evaluations published by government agencies have gone little beyond 1 (a) and 1 (b) in assessing achievements of the goals listed above. And, even here, government reports thus far published do not permit a conclusive judgment on the role of retraining programs in bringing about gains in employment and income.

It is indicated that, among those who have completed institutional MDTA courses, somewhat over 70 per cent of the trainees are employed, and of those who have completed on-the-job training programs over 85 per cent.[1] A sample interview survey of 1000 trainees shows that an even larger percentage work at some point after their training, 70 per cent in training-related

jobs, while 70 per cent stated that "training helped them to get their jobs." [2]

Government data are also available on the costs of the programs (now averaging $1900 per institutional trainee and $520 per on-the-job trainee), and earnings of those who have completed training (a median of $74 per week, a gain of $5 over median earnings in their last period of employment before training).[3] Unfortunately, no analysis is presented of the relationship between costs and income gains for particular trainees or training programs.

Although we are promised more sophisticated government evaluations soon, the missing link in the government reports to date is the absence of studies including control groups of nontrainees. Even though we are told that most of the trainees are placed in "training-related" jobs and most feel that their training "helped them" in getting their jobs, these terms are sufficiently vague to leave questions concerning the impact of training when isolated from other influences on employment and income. For example, national unemployment rates were falling in this period, and earnings were rising. We could expect improvements in employment and earnings regardless of training. One would feel more confident of the beneficial effects of retraining if the experience of the trainees were compared with that of "similarly-situated" nontrainees and if benefits were related to costs.

This approach has been adopted in a few nongovernmental evaluations of the retraining programs. The gain in methodological techniques is partially offset by the limited size of samples; and, moreover, it cannot be said that the control groups were similar to the trainees in *all* respects except their training. However, efforts were made to control for such basic variables as age, education, and race; and the differences in earnings between trainees and nontrainees were related to the costs of the training programs, including the opportunity costs of the trainees —their foregone earnings during training.

These limited private studies indicate the substantial benefits derived by the *individual trainees* from their retraining. Whether one uses such simple measures as a "pay-back period" (the period of time before accumulated gains in earnings offset the

costs of training) or calculates a rate of return on the training investment or the increase in capital values, the favorable impact of retraining is underscored. A multiple regression analysis has also emphasized the crucial role of the retraining programs in explaining the post-training benefits derived by the trainees.[4]

Social gains. As heartening as these results may be for the individual trainees, they say little about achievement of the objectives for society as a whole. It is possible that the trainee's improved employment status was achieved at the expense of a decline in status of other unemployed workers competing for available jobs. The retraining programs could be said to reduce total unemployment in the economy only if training resulted in an increased number of jobs for the unemployed or in the more rapid filling of previously "unfillable" job openings by newly qualified unemployed men.

The retraining programs can be said to create jobs in three possible ways: (1) The government expenditures on training facilities, instruction, and allowances augment aggregate and regional demand and do not merely replace other expenditures which would have been made in the absence of training. (2) Employers are induced to establish plants in depressed areas—which would not have been established elsewhere—because of the availability of newly retrained workers. (3) Employers are willing to hire trainees because their new skills are found to be attractive, even though these employers had no "job vacancies" before the trainees presented themselves on the scene. Whereas these effects might assume some importance if expenditures on retraining programs were increased manifold, there is little evidence that they are currently of sufficient magnitude to have a significant impact on the number of jobs in the nation as a whole. Similarly there is little evidence at the present time of unemployed workers moving into "unfillable" job vacancies.

Considerations of this type also apply to the reduction of poverty. Although individual trainees have clearly gained in increased income through retraining, others in the poverty ranks—who have not had retraining—may be doomed to an even longer period of poverty because they have suffered a further decline in *relative* employment qualifications. Needless to say, there

have been no studies to appraise this possible effect on the employment and earnings position of nontrainees.

The social welfare has been most clearly advanced through the national increase in productivity brought about by retraining. Here, too, however, the effect on productivity has not been measured. We do know that large numbers of MDTA trainees complete courses in occupations well above their previous skill level. Since most trainees obtain jobs in "training-related" occupations, it can be assumed that their productive contribution is greater than it was on jobs held prior to retraining.

These higher skills will be especially in the social interest if they result in the elimination of occupational shortages created by the general expansion of the economy. Indeed, there are some who would say that government-subsidized retraining programs can be fully justified only in such a period of tight labor markets and inflationary pressures. The reasoning is that government retraining programs in a period of general labor surplus will merely change the composition of the unemployed, but in time of labor shortages public retraining can become an important anti-inflationary force.

Although this position has some merit, there are caveats that must be observed. First, in a period of tight labor markets, the remaining unemployed are likely to be heavily concentrated among the hard-core disadvantaged. Increasing emphasis can be given to retraining programs for these workers in such a period, but they are the very workers who are least likely to be trained for the critically short occupations. These occupations usually require a higher level of general education than is customarily found among the most disadvantaged.

Second, private employers can be expected to increase their own training efforts in a period of labor shortage. Since the evaluation of federal retraining should be based on a determination of what would have happened in the absence of this public activity, a period of full employment may be one in which the social net "benefits" of subsidized retraining are less than one would suppose. The relationship of public and private retraining is one that requires considerably more study. It is discussed further below.

Finally, as my colleague, Burton Weisbrod, has noted, even if the benefits of retraining (in employment, earnings, and productivity) increase in a period of full employment, the costs of retraining may also be expected to increase in such a period. The costs of good instructors and facilities will be higher, and the opportunity costs of the training will rise. Although one might anticipate an improvement in the motivation toward retraining in a period when trainees are more likely to find post-training employment, it must be noted that such a period also offers more ample pretraining employment opportunities, and workers may prefer an immediate lower-skilled job to a "distasteful" return to the classroom.

At any rate there is little evidence, as yet, that the government retraining programs have made a sizeable dent on the "hard core" occupational shortages that have almost become a tradition in the labor market. In spite of the many MDTA courses in these occupations, draftsmen, welders, auto mechanics, secretaries, nurses aides, and others continue to be in great demand. In the absence of more detailed national and regional occupational vacancy data the reasons for these persistent shortages cannot be conclusively determined. To what extent are the vacancies in these occupations increasing at an even faster rate than the increasing supply of trained manpower; and to what extent are the trainees found to be inadequate by employers, or the wages found to be inadequate by the trainee, so that the "shortage" persists in spite of retraining?

Retraining the Disadvantaged

If careful evaluations of the regular MDTA programs are rare, controlled evaluations of the newer programs for welfare recipients and other disadvantaged groups are almost nonexistent. And yet increasing emphasis is being accorded these training projects under the anti-poverty programs and in the experimental and demonstration projects of MDTA. The Manpower Administrator has announced that a substantially larger proportion of the total MDTA training budget—perhaps as much as 65 per cent—will be concentrated on the disadvantaged in coming years. At the same time an ever-growing number of state and local welfare departments are determined to reduce their relief roles through

retraining. But in spite of the Administration's hopes for the future it is clear that in the past year the proportion of disadvantaged in institutional MDTA programs did *not* increase significantly. This is seen in the following summary tabulation culled from MDTA reports:

TABLE 1.

	Percentage of MDTA Enrollees	
	1965	1964
Less than 8th grade education		
Total	7.1	7.6
Male	9.7	10.4
Female	3.2	3.4
Nonwhite		
Total	33.6	30.4
Male	28.9	27.0
Female	40.7	35.6
45 years and over		
Total	10.0	10.6
Male	9.0	9.9
Female	11.5	11.7
Pretraining unemployment over 52 weeks		
Total	12.0	14.3
Male	6.9	7.2
Female	28.8	31.4

Source: *1966 Report of the Secretary of Labor on Manpower Research and Training Under the Manpower Development and Training Act of 1962.*

The percentages of enrollees with less than an 8th grade education, of those 45 years of age and over, and of those with 52 weeks or more of unemployment before training actually decreased slightly between 1964 and 1965. There was an increase in the percentage of nonwhites. Whereas the percentages of older workers and of those with low levels of education among the

trainees were considerably below the percentage of these groups among the total unemployed, the long-term unemployed and nonwhites had a greater than proportional representation among trainees as compared with their representation among the total unemployed.

It should be noted, however, that nonwhites selected for retraining were usually more favorably situated with regard to other characteristics than their counterparts among the general unemployed. Thus the very young, older, and less-educated nonwhites were underrepresented in the selection of trainees.[5]

The obstacles in the path of expanded institutional retraining for the disadvantaged stem primarily from their problems in obtaining employment upon completion of training. As is shown in Table 2, those in the least advantageous categories of age, education, previous unemployment, and race had lower post-training employment ratios than trainees with more favorable labor-market characteristics. This was true in both 1964 and 1965. The most disheartening finding in this comparison, however, is that in spite of the improvement in national employment between 1964 and 1965, the employment ratio of the disadvantaged trainees actually suffered a slight decline. Whereas the employment of disadvantaged workers can usually be expected to increase more than the average in a national employment expansion, this was not true among the disadvantaged MDTA trainees relative to other trainees. The sharp decline in the employment ratios of nonwhite trainees is especially discouraging. It seems clear that at the 1965 stage of the employment expansion, employers were still able to bypass many of the disadvantaged trainees.

The picture is much less discouraging, however, if one compares the post-training and pretraining experience of the disadvantaged; or if one compares the labor-market experience of disadvantaged trainees with that of disadvantaged nontrainees. Government agencies have now conducted the former type of analysis, but it is necessary to fall back on our own studies (with their limitations of sample size and data acquisition) for controlled comparison of the second type.

A special study of a sample of trainees reported by MDTA finds, as indicated above, that employment rates, job retention,

TABLE 2. EMPLOYMENT EXPERIENCE OF PERSONS COMPLETING MDTA INSTITUTIONAL TRAINING, BY AGE, EDUCATION, RACE, AND DURATION OF UNEMPLOYMENT, 1964, 1965

Characteristic	Per Cent Employed	
	1965	1964
Total	71.3	71.7
Age		
Under 22 years	69.8	71.0
22 to 44 years	73.5	72.2
45 years and over	66.8	66.9
Education		
Under 8th grade	67.9	68.2
8th grade	67.8	69.6
9th to 11th grade	69.2	71.0
12th grade and over	73.6	72.5
Duration of unemployment prior to training		
Under 5 weeks	82.5	76.0
5 to 14 weeks	78.0	73.7
15 to 26 weeks	75.4	69.5
27 to 52 weeks	67.8	66.0
Over 52 weeks	57.1	64.2
Nonwhites	63.2	70.1

Sources: *Manpower Research and Training, Report of the Secretary of Labor, March 1965; 1966 Report of the Secretary of Labor on Manpower Research and Training Under the Manpower Development and Training Act of 1962.*

and earnings are all lower for Negro trainees. At the time of the follow-up interviews, only 61 per cent of the Negroes had jobs compared with 77 per cent of the other trainees. Negro trainees earned $11 per week less than others, largely in low-paying service occupations. However, there is also evidence of *greater benefits* to Negro trainees compared with whites. The post-training weekly earnings of Negroes were on the average, $13

higher than earnings on pretraining jobs, whereas for whites the differential was only $4.[6]

Among the 116 Negroes in our West Virginia evaluation, 92 per cent of the trainees were employed after the training period compared with only 40 per cent of the nontrainees.[7] On the other hand, the employment ratio of white trainees was only 8 percentage points above that of white nontrainees. However, these results are far from conclusive because the Negroes selected for training were more advantaged, with respect to such characteristics as age and education, than the average Negro nontrainee. Thus the nontrainees cannot be construed as as a "pure" control group. Unfortunately the size of the initial sample precluded analysis within common age and education cells.

In a study of training programs for Milwaukee welfare recipients, it was found that the average gain in weekly earnings per trainee ranged from $7 over pretraining earnings after "Operation Alphabet" to $36 as a result of a course for custodial work. Most of the workers enrolled in these programs were Negroes. The trainees' increase in earnings stemmed primarily from a longer tenure in employment for trainees as compared with nontrainees during the post-training period.[8]

When the welfare trainees were compared with a control group of nontrainee welfare recipients, an effort was made to match trainees and nontrainees with common age, education, race, previous welfare experience, and other characteristics. It was found that in 30 of the 57 matched pairs, trainees were "off welfare" more than nontrainees in a comparable post-training period. In 25 of the pairs, the matched workers had a similar welfare experience, and in only 2 matched pairs were the nontrainees "off welfare" more than the trainees.[9] Thus here, too, training proved to be a significant force for advancing the welfare of a disadvantaged group relative to similar disadvantaged workers who had no training.

The results for other trainees are mixed. In one of our studies it was found that older workers gained after their training, but that they were not able to gain as much from their training as were younger workers. It is seen in Table 3 that in all age categories those who completed their training enjoyed a more favorable employment experience after training than the comparable

TABLE 3. PERCENTAGE OF TIME EMPLOYED DURING EIGHTEEN MONTHS AFTER RETRAINING, BY AGE AND TRAINING STATUS

Age (Years)	Training Status	Percentage of Time Employed					
		0–25	26–50	51–75	76–100	Total	
		Percentage of Trainees				Number	Per cent
0–21	Completes	11.4	20.0	12.8	55.7	70	100
	Drop-outs	20.7	20.7	13.8	44.8	29	100
	Rejects	33.3	33.3	16.7	16.7	18	100
	Did not report	58.3	8.3	8.3	25.0	12	100
	Nonapplicants	33.3	14.6	18.8	33.3	48	100
22–34	Completes	13.7	10.9	13.7	61.6	211	100
	Drop-outs	22.5	11.2	13.8	52.5	80	100
	Rejects	33.3	22.2	25.9	18.5	27	100
	Did not report	26.1	21.7	26.1	26.1	23	100
	Nonapplicants	35.1	22.5	11.7	30.6	111	100
35–44	Completes	22.3	9.8	10.7	57.1	112	100
	Drop-outs	20.8	18.9	11.3	49.0	53	100
	Rejects	51.6	12.9	16.1	19.4	31	100
	Did not report	33.3	6.7	6.7	53.3	15	100
	Nonapplicants	46.2	12.5	12.5	28.8	104	100
45+	Completes	28.3	13.3	16.7	41.7	60	100
	Drop-outs	44.4	11.1	3.7	40.7	27	100
	Rejects	53.8	10.2	12.8	23.1	39	100
	Did not report	50.0	33.3	—	16.7	6	100
	Nonapplicants	52.0	11.8	10.2	26.0	127	100

Source: Ford Foundation Retraining Project in West Virginia, 1962–1964.

groups of nontrainees. Among workers 45 years of age and over, 41.7 per cent of the "Completes" were employed more than three-fourths of the time during the eighteen-month post-training period, as compared with only 23 per cent of the "Rejects" and 26 per cent of the "NonApplicants." But the differences in the

corresponding percentages for trainees and nontrainees were considerably greater in the younger age categories.

The data also indicate that older trainees were not so continuously employed as younger trainees. For example, over 60 per cent of the trainees in the 22–34 age category were employed more than three-fourths of the time after their training. And even those who were under 21, the problem children of the labor market, had a better post-training record than the older trainees.

If training cannot fully remove the disadvantages of older trainees in the job market relative to younger trainees, the data *do* reveal that retraining can provide older workers with an advantage over younger nontrainees. The young workers in all age categories who failed to apply for training experienced shorter periods of employment than the 45-year-olds who completed a training course.

In summing up the position of the disadvantaged, it can be said that their employment and earnings after retraining are not as favorable as the employment and earnings of other trainees; but the labor-market position of the disadvantaged is considerably enhanced by their retraining, as compared with their own pretraining experience and as compared with disadvantaged workers who have not been retrained.

This divergent result gives special emphasis to the need for careful benefit-cost analyses of retraining programs for the disadvantaged worker. Since the labor-market rehabilitation of the disadvantaged often requires basic and remedial education as well as occupational training, the costs incurred may be unusually high; and given their less-favorable post-training experience compared with nondisadvantaged trainees, one might conclude that our retraining dollars would best be invested elsewhere. However, if it is true that retraining can do more to *improve* the position of the disadvantaged worker relative to his own pretraining status than it can do for other workers, retraining for disadvantaged workers may be the soundest economic investment of all.

Finally, it should be noted that noneconomic considerations are especially important in the evaluation of retraining programs for the disadvantaged. Regardless of the level of economic returns, one might wish to give the highest social priority to pro-

grams which aid in the reduction of squalor and all of its attendant social ills.

On-the-Job Training

The effectiveness of the new retraining programs for unemployed and low-income workers must be appraised in relationship to the total educational system and to on-the-job training (OJT). In spite of recent legislation it will continue to be true that most general knowledge will have been absorbed by the worker in the traditional system of public education; and most specific occupational skills will be acquired on the job. This procedure has much to commend it in view of the constantly changing skill requirements of a dynamic economy. The greater the emphasis on skill acquisition on the job, the more general can be the education and training provided through public institutions.

On-the-job training has many advantages; and these have undoubtedly stimulated the expansion of OJT programs under MDTA in the past year, as well as the plans for expansion in the future. After a very slow start, the number of workers in OJT programs more than doubled between 1964 and 1965. Although the guidelines are still in process of formation. it is apparently planned that on-the-job training will become relatively more important, in terms of numbers of trainees, than institutional training in the total MDTA effort. The proposed expansion is undoubtedly influenced by the following considerations.

1. The overall goals set for the training and retraining of unemployed and underemployed workers can be met much more readily if training on the job is widely used as a supplement to institutional training in the vocational schools.
2. Training on the job is traditionally the most common means by which specific occupational skills have been acquired in American industry. One would expect employers to welcome so familiar a procedure.
3. The government's expenditures per trainee in OJT projects are substantially below costs in comparable MDTA institutional training programs.
4. The equipment used in OJT training is usually more expensive, more up-to-date, and better adapted to changing tech-

nology than the equipment found in most vocational education facilities.

5. The job placement ratio of OJT graduates is substantially higher than that of MDTA institutional trainees because most employers hire their own OJT trainees before, during, or after their training.

6. These placement results enhance the motivation of workers in entering the training course and in completing their training, relative to institutional trainees.

It has been noted that in spite of these advantages the MDTA's on-the-job training projects have lagged because, unlike the situation in institutional training, a whole new system of procedures and standards had to be developed for OJT. Staff limitations hindered not only the establishment of these procedures, but also the necessary promotional technical assistance. Moreover, unions have been concerned about the possible wage effects of such training and the possible reduction of employment and advancement opportunities for their own members.[10]

The reasons for the delay in establishing OJT programs in the early stages of MDTA are relevant for the prospects of future expansion. Aside from the general and administrative factors influencing the rate of introduction of OJT projects, the decisions of private employers must be accorded the central and most crucial role. To a much greater extent than in institutional training, the successful growth of MDTA's on-the-job projects will depend upon employers' evaluations of the potential costs and benefits of such projects.

Light can be cast on the past problems as well as the future potentialities of federal OJT programs through surveys of employer attitudes toward governmental activity in this field. In addition to impressions gained from the public statements of managerial officials, useful insights are provided by three surveys of employer opinion, conducted as part of the University of Wisconsin's overall evaluation of retraining and vocational education. The first interview survey of 132 employers was carried out in 1962–1963 primarily among employers in West Virginia who had hired trainees of programs established under the Area Redevelopment Act and state retraining legislation.[11] The second,

a nationwide mail questionnaire survey, was conducted in 1964 with the cooperation of the American Society of Training Directors (ASTD). Responses were received from 1048 members of the ASTD.[12] In the third survey, a mail questionnaire was sent to over 1000 employers in apprenticeable trades in Wisconsin in order to determine their attitudes toward the apprenticeship form of OJT. Useable responses were returned by 457 employers.[13] Some of the major conclusions derived from these surveys are summarized briefly below:

1. The attitudes of employers toward government-subsidized OJT are influenced by their views on government intervention in general on behalf of the unemployed.
2. A somewhat larger group of employers prefer government-aided institutional training as compared to those who prefer subsidized OJT. However, the ratio of OJT:institutional preferences greatly exceeds the ratio of OJT:institutional projects currently included in the total MDTA program.
3. Employers who have had experience in hiring retrained workers and who are aware of government-sponsored programs in their areas are more favorably disposed toward government-sponsored training in general, and toward OJT projects in particular, than are those who have not hired trainees and who are unaware of training programs.
4. The preference for government-subsidized OJT increases with the size of the responding firm.
5. Within industry classifications, the greatest relative employer interest in subsidized OJT is found in hospitals and other service establishments. Many trade establishments and local government units also prefer OJT, but even more of the respondents in these latter two categories give first preference to government-sponsored courses in the vocational schools.
6. The advantages of OJT indicated by employers include (in order of importance): (a) greater company control over the training course; (b) training for specific company jobs; (c) use of up-to-date equipment; and (d) immediate placement of trainees.

The surveys encourage the view that employers will be willing —under appropriate economic circumstances—to expand gov-

ernment subsidized OJT programs on their premises. But problems arise in the relationship of the planned expansion of OJT to the Manpower Administrator's other goal of expanding retraining for the disadvantaged. If MDTA selection has generally tended to favor the cream of the unemployed in the past, the OJT component of MDTA has taken the cream of the cream. Because the employer plays a greater role in the selection process of OJT programs, relatively small proportions of disadvantaged workers (relative to MDTA institutional courses) have been included. In addition to their reluctance to depart from their customary hiring standards, employers are especially loath to absorb workers in whom a very substantial training investment will be required. Given the mobility of American labor, a sizeable private investment in the retraining of disadvantaged workers may be lost through turnover.

Three possible approaches may be adopted to ease these problems. First, the government subsidies, through wage payments during training or through tax credits or some combination of the two, could be increased to cover the employer's risk of later loss of the trainee. Second, the subsidies could be arranged on a sliding scale based on the characteristics and qualifications of the trainee. That is, employers would be especially compensated for absorbing the disadvantaged. Third, financial procedures could be established so that large companies (with extensive training staff and facilities) would have incentive to train workers for small companies, and regional or industrywide subsidies could be established in order to safeguard individual companies against loss of the trainee through turnover. Variants of these procedures have been adopted in other countries, and precedents are beginning to emerge here.

Although detailed benefit-cost analyses of the MDTA OJT programs—none of which now exist to my knowledge—would probably show an initially favorable result, a lengthy period of follow-up would be required for a full assessment of their value relative to institutional training.

Retraining and Relocation

A number of significant questions arise in the relationship between retraining programs and schemes to relocate workers

through travel allowances and other forms of assistance. Does the retraining of a worker encourage his geographic mobility or discourage it? Is relocation a substitute for retraining or a complement to it? What are the benefits and costs of retraining and relocation assistance for different groups of workers, occupations, and areas?

These questions have recently become more critical for the United States. As a result of the 1963 Amendments to the MDTA, the Department of Labor conducted 16 pilot projects in 1965 providing relocation assistance to unemployed workers who had limited labor-market prospects in their own areas. In all, only 1200 workers and their families were helped to move, but the number of projects is being expanded this year, and there are proposals to incorporate a regular program of relocation allowances in manpower measures currently before Congress. Schemes of relocation assistance have existed in a number of European countries for some time.

There is some evidence that retraining and relocation are substitutes for each other in the preference scale of many workers; and yet it is found that retraining and relocation often complement each other, resulting in increased earnings for those who engage in both. Our West Virginia surveys of retraining and geographic mobility were conducted prior to the inception of the relocation demonstration projects, and, as usual, the comparative analysis is hampered by limitations of sample size. Analysis of the training-mobility nexus is still under way but some rough, tentative patterns seem to be emerging.[14]

For many workers in a depressed area outmigration is often seen as a substitute for retraining. Frequently, retraining is taken only as a last desperate resort by workers who are determined to find employment in their home area, and mobility is a last desperate resort for trainees who cannot find local work. Since training is frequently viewed by the worker as a means to local employment, it is found that training does not necessarily encourage mobility.

In all age and education categories of the trainees, continued difficulties in the labor market after their training were associated with their eventual outmigration. On the average, those who later moved had lower earnings *prior* to their move than

those who stayed. In fact, contrary to the general advantage in the earnings of trainees over nontrainees in the West Virginia surveys, those trainees who eventually migrated had lower earnings before they moved than the nontrainees. This was especially true for the older and less-educated trainees, but the finding occurs in all age-education categories.

The fact that the move was a rational one (in gross financial terms) is seen in the improvement in earnings of the mobile trainees *after* their move relative to the earnings of nonmobile West Virginia trainees. Between the time of their geographic move and the summer of 1964 (our final follow-up survey), the mobile trainees gained substantially in earnings relative to the nonmobile nontrainees, even though the latter group had higher earnings before the mobility occurred. Thus, mobility may be an act of desperation, stemming from unemployment and low income; but once forced to move, workers find that their retraining serves them well in the new area.

In appraising the experience under the relocation assistance scheme, it should be noted that a very substantial movement out of depressed areas occurs in any case, and most of this movement is "rational" from the standpoints of employment security and earnings. But our West Virginia surveys indicate that there is still much "irrational" mobility among unemployed trainees and nontrainees. By directing workers to areas and firms with more bouyant employment opportunities, the relocation scheme might make a major contribution. Inducing improvements in the *direction* of migration may be more important than inducing an increase in the *amount* of migration.

The demonstration relocation projects have not yet spawned sufficient data to permit a thorough follow-up evaluation. Qualitative appraisals[15] confirm some of the accepted doctrine on geographic mobility and offer a few surprises. Although financial aid for travel and moving has induced some movement that would not have occurred otherwise, it was often not the most important factor. It was found that an opportunity for the worker to appraise the job environment and for his wife to appraise the community environment might be more crucial to successful transfer. Counseling and other assistance provided in the new locale for adjustment of the worker to his new job and

for adjustment of his family to the new community were also found to be important.

Most important of all, however, is the attractiveness and the security of the new job relative to prospects in the worker's home area. Similar conclusions have been reached in appraisals of relocation provisions under private industrial or union-management auspices, especially those studies conducted in connection with the Armour Automation Committee.

The labor-market influences on relocation raise the most serious questions concerning the allowance system and render benefit-cost analyses desirable in periods of changing regional and national employment conditions. Most of the initial 1200 relocatees in the demonstration projects were young (40 per cent under 25), and many, if not most of them, probably could be expected to move from a depressed area to an expanding area in any case—with or without assistance. Even many older workers may feel forced to move under such circumstances. In South Bend at a time of very high unemployment following the Studebaker shutdown approximately 150 workers, out of almost 3000 over 50 years of age who had been laid off, migrated to other areas. This was prior to the inception of the scheme of government assistance. By the time the relocation demonstration project started in 1965, employment conditions in South Bend had greatly improved and of the remaining older workers, clearly less mobile, only 2 of the over 700 considered to be eligible were relocated under the project.

Similar problems of inducing relocation have occurred in other areas as a result of the pick-up in national and local employment in 1965. In two of the projects, over 50 per cent of the relocatees returned home, partly because of improvements in employment conditions. This compares with an average of 20 per cent who returned in other projects, the same percentage as in European experience.[16] Under these circumstances, when other relevant variables are changing at the same time that retraining and relocation allowances are being provided, it is difficult to evaluate the impact of the relocation investment on the quantity of movement, its rationality, or its economic return.

Two additional questions remain in relating relocation policies to retraining and other labor-market policies. From the stand-

point of the receiving area, at what point should the induced immigration of distant workers be initiated or discontinued while thousands of hard-core, disadvantaged workers may remain unemployed amid the city's affluence? The project designed to move workers, some trained and some untrained, from northern Wisconsin and northern Michigan into Milwaukee is a case in point. When the migrants are almost all white and the local unemployed are almost all Negro, how should this fact affect the decision?

From the standpoint of the supply area, when is fully fledged vocational training necessary or desirable for potential migrants to areas of tight labor demand? Persons connected with one southern retraining-relocation project were convinced that literacy training and some counseling alone would have sufficed for job placement after relocation to cities of low unemployment.

Clearly, detailed data on the characteristics of the workers involved and the labor supply and demand situations in both supply and receiving areas would be required for a truly judicial answer to these questions. Such data, if sought, are seldom forthcoming.

Conclusions

The new government retraining programs for the unemployed have now been accepted, largely on faith, as an integral part of our economic way of life. Fortunately, the few detailed evaluations made of these programs indicate that they are effective in improving the economic status of the trainees and have a high rate of return. But much more extensive and sophisticated benefit-cost analyses will be required to determine whether the new programs are significant as a factor in reducing national unemployment and poverty and to determine whether they are making a significant contribution to the easing of skill shortages or to the reduction of inflationary pressures.

We can say even less about the economic benefits and costs of relocation allowances. Presumably they aid the individual, but the extent of their usefulness as a social investment still remains to be established.

An even more critical need of sophisticated economic analysis arises when we are forced to make choices with regard to these and related policies. For example, we may wish to expand train-

ing for the disadvantaged and also increase the number of OJT projects. Are these objectives now compatible, and, if not, can they be made compatible? Hopefully, economic analyses can also help us to determine when, where, and with whom to start and stop government aid to general education, vocational education, literacy training, remedial education, vocational retraining, counseling, and relocation. They might also tell us when the whole package or some combination of its components is appropriate to meet some specifically defined social goals.

NOTES

1. *1966 Report of the Secretary of Labor on Manpower Research and Training Under the Manpower Development and Training Act of 1962,* U.S. Department of Labor, March, 1966, pp. 18–19.
2. *Ibid.,* p. 54.
3. *Idem.*
4. A number of these studies have been supported by a grant from the Ford Foundation to the University of Wisconsin. The methodology of the major studies, those in West Virginia, was described in the author's earlier paper in this series, "Retraining: An Evaluation of Gains and Costs," in Arthur M. Ross, editor, *Employment Policy and the Labor Market* (Berkeley: University of California Press, 1965). See also, Gerald G. Somers and Ernst Stromsdorfer, "A Benefit-Cost Analysis of Manpower Retraining," *Proceedings of the Industrial Relations Research Association,* December 1964; Glen C. Cain and Ernst Stromsdorfer, "An Economic Evaluation of the Government Retraining of the Unemployed in West Virginia," in Gerald G. Somers, editor, *Retraining the Unemployed,* to be published by the University of Wisconsin Press; Michael E. Borus, "The Economic Effectiveness of Retraining the Unemployed," *Yale Economic Essays,* 1964; and David A. Page, "Retraining Under the Manpower Development Act: A Cost-Benefit Analysis," Studies of Government Finance, Reprint 86 (Washington, D.C.: Brookings Institution, 1964).
5. *1966 Report of the Secretary of Labor . . . ,* p. 181.
6. *Ibid.,* p. 55–56.
7. Glen Cain and Gerald Somers, "Retraining the Disadvantaged Worker," Conference on Research in Vocational and Technical Education, University of Wisconsin, June 10, 1966, p. 8.
8. *Ibid.,* p. 15.
9. *Ibid.,* p. 17.
10. *Manpower Report of the President,* March, 1965, p. 129.
11. Reported in detail in Harold A. Gibbard and Gerald G. Somers, "Government Retraining of the Unemployed in West Virginia," in Somers,

editor, *op. cit.* A few employers who had hired trainees in depressed areas of Tennessee and Michigan were also included in this survey. The results of this survey and the two surveys listed below are summarized in *Hearings before the Subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare,* U.S. Senate, September, 13, 1965.

12. Reported in detail in Edward C. Koziara, *Employer Views and Evaluations of Government Retraining Programs* (unpublished Ph.D. dissertation, University of Wisconsin, 1965).

13. Reported in detail in G. Soundara Rajan, *A Study of the Registered Apprenticeship Program in Wisconsin* (unpublished Ph.D. dissertation, University of Wisconsin, 1965).

14. The analyses are currently being conducted at the University of Wisconsin with the assistance of Graeme McKechnie. See his forthcoming Ph.D. dissertation, *Retraining and Geographic Mobility: An Evaluation.*

15. *1966 Report of the Secretary of Labor . . .* , pp. 45–50.

16. *Ibid.*, p. 48.

Discussion

BY MELVIN ROTHBAUM

The main thesis of Professor Somers' paper—"that the establishment of the appropriate relationship between these [retraining and relocation] manpower policies requires a detailed research evaluation of each"—can be readily accepted. And much of our limited stock of knowledge in this area we owe to Professor Somers and his colleagues at the University of Wisconsin. As to the paper itself, there are striking differences in both the scope and concreteness of his review and analysis between programs that have been subject to such research evaluation and those that have not. The extensive and multi-faceted commentary on institutional training and the richness and insights of the preliminary research on relocation contrast sharply with the generality of the OJT section. Thus the content of the paper impressively supports its own main thesis.

Evaluation of Retraining Programs

Although the number of cost-benefit studies is limited, they consistently show large returns to individuals in institutional training programs. (Somers hazards a guess that at least the initial results would be favorable also for OJT, presumably in part because of the lower costs and higher placement rates in these programs.) While the information on disadvantaged groups appears to be mainly on the benefit rather than on the cost side, it also suggests large gains to individuals from retraining as compared to their own previous experience and to the experience of nontrainees with similar characteristics.

The analysis of the disadvantaged provides emphatic support for Somers' point about the need for control groups in the research evaluations. Without this, no meaningful standard exists by which to measure benefits, and the simple application of placement rates and post-training earnings among different groups

may be seriously misleading. The rapid introduction of studies which utilize control groups in the analysis of retraining benefits appears to be the minimum requirement for intelligent policy-making. The conclusive demonstration of substantial benefits is a prerequisite even for equity (or what Somers has called non-economic) decisions—those cases in which the relation of costs to benefits is not controlling because of overriding social priorities.

But the more comprehensive study of both costs and benefits clearly would be desirable. Sound information on relative costs and benefits can permit a more efficient choice among alternative programs, whether or not there is an equity constraint in the decision. And perhaps as important as the economic result, the attempt to identify economically efficient programs yields the kind of detailed information that can give us a better understanding of the needs and prospects of various trainee groups as well as of the strengths and weaknesses of alternative institutional arrangements to meet these training needs.

While there have already been exciting results in the study of individual gains from retraining, the problem of social gains remains murky. The rise in productivity levels associated with retraining and any contribution that may be made to the solution of occupational shortages appear to be the most clearcut social advantages. On the other hand, some of the gains associated with retraining as a job-creating device are open to question. Even in the unlikely case in which training expenditures were to rise to the point where they were no longer a minor budgetary item, the fact that they (like any other budget expenditure) augment demand may not be a very sound reason for calling them job-creating. The fiscal policy decisions on expansion or contraction of demand involve changes in budget deficits or surpluses and the overall tax and expenditure policies that will achieve the desired results. The allocation to specific tax and expenditure items reflects current Congressional and Presidential views about program priorities. For example, a decision to maintain the budget at approximately the same level may involve an increase in training expenditures that is offset by an appropriations cut elsewhere or vice versa. It is difficult to see why the training expenditures should be singled out as job-creating or job-destroying under these circumstances.

Creating jobs by filling a previously "unfillable" job opening by a newly qualified unemployed man appears to have more merit. The assumption here is that current output is limited by the scarcity of particular types of labor not available in the pool of unemployed. The final result is subject to the same caveat that Somers later applies to shortage occupations. Since private employers are probably increasing their expenditures in such a period, the government may simply be replacing training that would have been generated privately or redirecting the flow of trainees occupationally or geographically from that which would have taken place.

The impact of training on the reduction of poverty may depend on which of several views of the labor market are correct. If the unemployed are viewed as a single queue, then all those who are leapfrogged by a newly trained worker do suffer a relative decline in employment qualifications and, presumably, in potential employment opportunities. However, if the unemployed actually make up many queues, then training may shift an individual from an unskilled to a skilled queue (e.g., training him to be an auto mechanic). Under these circumstances, employment opportunities for those in the unskilled (poverty) queue may rise. Perhaps the most realistic view is to recognize both the substitution possibilities inherent in the single queue and the obstacles to cross-occupational mobility inherent in the multiple queues. In such a model, one might consider each individual as having a position on several queues. The indirect effect of training given to others would involve both gains and losses. The impact would be more immediate for the queue in which the individual was currently qualified and more potential for queues in which he had some expectations of becoming qualified through admission to training programs.

On-the-Job Training and the Disadvantaged

Current emphasis in government training programs is on expanding the relative importance of OJT programs as compared to institutional training. Somers has summarized the arguments in favor of such a change, including tradition, lower costs, better equipment, and easier placement. The survey results cited in the paper begin to give us a better idea of employer reactions to such

an expansion and the degree of support that might be expected. Employers evidently fear government intervention in the training process, and even employers in those industries with the greatest relative interest in subsidized OJT programs show a preference for institutional training. On the other hand, a substantial pool of employers express interest in OJT, the interest rising with size of firm and familiarity with government programs.

In general, Somers concurs with the increasing emphasis on OJT as part of a rational division of labor: the public education system providing general education while the private sector provides the specific training needed to adapt the labor force to continually changing skill requirements. The line between the two is fuzzy, however, and specific circumstances will undoubtedly dictate breaching the general rule in many cases. Thurow's view of the training situation as a continuum between completely general and completely specific training investments is perhaps the most useful to employ here. His dynamic model indicates the likelihood of more general training by private employers than one would at first expect, because various institutional factors tend to reduce mobility and thus reduce training investment losses through turnover. Moreover, the development of internal labor markets through patterns of promotion from within the plant increases the need for private training expenditures. While these larger training expenditures appear desirable, from a broader viewpoint the economy might be better off if mobility were greater, private training expenditures lower, and the general training shifted to the public sector. In addition, the growth of internal labor markets may have adverse effects on disadvantaged workers as employers apply more rigorous hiring standards to low-skilled jobs because they view them as the first step in a career pattern.

If one accepts the proposition that more OJT is desirable, then there appear to be several possible alternatives. Additional private training could be encouraged in general through changes in the tax system, or specific subsidies could be used to encourage specific training efforts (e.g., in shortage occupations), or these incentives could be linked to the training of specific groups of people (e.g., the disadvantaged).

General tax incentives to encourage training may create a serious windfall problem. Much of the tax revenue loss may involve training already being done or that would have been done in the absence of the incentives. While safeguards might be built into the program to limit tax benefits to additional training efforts, the ingenuity of private parties to reap the benefits of tax incentives at minimum cost to themselves is impressive. Stieber's comments on British experience indicate the distinct possibility that much of the gain might be an accounting rather than a real phenomenon. In addition, European experience warns against the possibilities of abuse, particularly the establishment of so-called training programs that actually are geared more to production than learning.

These problems may be somewhat more manageable when subsidies are related to specific training programs. As noted earlier, however, these are precisely the shortage situations in which one would expect the market mechanism to generate increased private training expenditures. As Thurow suggests, an increase in the amount of training might perhaps best be achieved by a guarantee of continuing high employment. On the other hand, it might well be profitable for the government to invest in subsidies to help private companies reorganize the pattern of training more effectively and to spread risks. Somers' suggestions on the use of large employers, or multi-employer arrangements, would move in this direction.

By far the most difficult problem arises when one adds the requirement that the training should be directed mainly toward disadvantaged individuals. European experience indicates some tendency for employers to avoid government efforts to direct training programs toward the unemployed, particularly those recruited through the public employment service. Directing a training program toward the disadvantaged unemployed would enhance this problem. The survey results cited in the paper and Somers' own conclusions support this view.

The question, then, is whether OJT, with its extensive area of employer control over the program, is compatible with the emphasis on training the disadvantaged. To overcome the reluctance of employers, both Somers and Thurow suggest the possibility of using sliding-scale subsidies, the amount varying in-

versely with the qualifications of the trainees. Presumably there is some level of subsidy that will induce employers to train people from the back of the queue, i.e., to apply hiring standards substantially below those required by current market conditions. Whether this will involve very high costs in the form of subsidies not justified by differential training costs in order to overcome existing employer preferences, it is impossible to say. In part this may depend on whether noneconomic factors can be brought to bear on employer decisions in the form of convincing them to make a contribution to the solution of an important social problem. In any case, it should be possible to experiment with various ways to test the employer's demand curve for disadvantaged workers.

On the other hand, rather than treating training costs as a whole and applying subsidies that are related inversely to trainee qualifications, it might be useful to specify the special needs of disadvantaged workers and the training costs associated with those needs. Such an approach might have several advantages: (1) It would require a fairly precise definition of and agreement on the deficiencies involved. Thus, it might more easily permit a shift from a very general negative attitude toward the disadvantaged to a more realistic and specific problem-solving approach. (2) It might allow more intelligent choices between public and private programs for removing deficiencies. In some cases, institutional work prior to OJT might be desirable, or there might be institutional classes simultaneously with OJT; or the employer might provide the classes as part of his obligation under the OJT contract, the cost of the classes and of released time from the regular training program being picked up as a specific item under the subsidy.

While there are various possibilities for making the OJT program compatible with a major orientation toward the disadvantaged, the difficulties involved in framing such alternatives suggest that one should not be dogmatic about de-emphasizing institutional training in favor of OJT. Enrollment figures for 1965 indicate that institutional programs have enrolled a higher percentage of disadvantaged trainees than OJT programs, whether one measures disadvantage in terms of race, previous

unemployment, duration of unemployment, educational levels, or age. These differences may perhaps narrow in the coming year with the expansion and redirection of OJT programs. But there is no doubt that the government's ability to influence the choice of trainees is greater under institutional programs, and foreign experience shows a similar tendency for institutional programs to succeed more easily in directing training toward disadvantaged groups.

In summary, there appears to be no neat way of dividing the functions of public educational systems and private training on the basis of general education and specific skill training, though the distinction between the two is a reasonable first approximation. The division will be determined partly by the economics of training in the private sector, and partly by the public goals of the training programs in terms of the amount of training desired, the occupations involved, and the particular groups to which it is directed. The public programs, in turn, will be affected by a complex set of variables including employer receptivity, trainee preferences, training costs, the quality of training in terms of the experience and teaching skills of the instructors, and the types of equipment available. A variety of experimental approaches, accompanied by careful evaluation, will be required in order to determine the training approaches that best fit the diverse circumstances and goals in the current labor market.

Relocation and Retraining

The preliminary findings on retraining and relocation are particularly illuminating, especially the various complementary and substitution relationships between the two programs. From the evidence presented so far, the substitution effect appears to be the most significant, i.e., individuals tend to look at the programs as alternatives. This issue is central to the question raised in the paper as to whether substantial training is necessary for potential migrants to labor-scarce areas. Unfortunately, the ability to place nontrainee migrants is not sufficient to answer the question. If training resulted in better and more secure jobs for the migrants, then relocation and retraining would be complementary. Whether the benefits of the training exceed the

costs, including effects on the number of migrants returning to the point of origin, would appear to be a crucial point for future evaluation.

On the relocation program itself, Somers has quite properly emphasized the importance of spontaneous migration and the gains to be achieved from more rational migration as against simply increasing the amount of movement. It is clearly in the public interest to help individuals make the "best" move. But the fact that much migration is spontaneous and that many migrants do not rate financial aid high in their decision to move should not obscure the important relationship between such aid and the choice of "best" moves. Feasible alternatives are determined by individual preferences and ability to finance the move. And the extent to which public policy should seek to expand the feasible alternatives may be a difficult policy issue.

For example, should public policy be limited to helping an individual move to the nearest place where any job is available? To the nearest place where a job is not only available but the long-run outlook for employment is good? To the nearest place where superior wages, working conditions, and advancement possibilities are available for someone of his qualifications? To the place he most prefers provided that jobs are available? Obviously there is a range of public policy positions. At one end, public policy centers on moving the individual from the category of the unemployed to the employed; at the other end, the major public interest is in maximizing the employment prospects and satisfying the preferences of the individual.

Although it is trite to say that manpower programs should be flexible, it does appear that this advice applies especially strongly to relocation programs. While the furnishing of labor-market information to increase the rationality of migration should be a continuing activity throughout the nation, the use of loans and grants might well shift rapidly with changing labor-market conditions. Not the least difficult problem in deciding when to halt positive inducements to mobility is Somers' point about encouraging in-migration when there is a reservoir of unemployed in the receiving market. This only emphasizes that relocation and retraining may be substitutes not only from the point of view of the single individual but from a broader policy viewpoint. It also

reinforces the view that the labor market should be viewed as consisting of many queues and that relocation raises many of the same problems in regard to poverty as retraining.

Conclusion

Professor Somers has not only demonstrated the importance of careful evaluation of retraining and relocation programs and the insights that can be gleaned from the small number of studies currently available, but he has also raised enough pertinent questions for a decade of future research. His ultimate goals are wide-ranging and difficult to achieve, varying from the impact of retraining on unemployment and poverty to providing a mechanism for choosing among a large number of interrelated programs touching upon education and training. Fortunately, the more limited studies have considerable value in their own right, for our knowledge in this area is more likely to accumulate in small steps rather than burgeon forth in the form of any spectacular breakthrough. Perhaps the most important requirement at this point is methodological: that the growing number of independent studies be cumulative in their design and results. Current trends in research in education and training, systems analysis, and government planning and budgeting procedures give some indication that this may indeed happen.

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